

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-14 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 OIC-04 DRC-01 /218 W

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R 011425Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8469

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY CANBERRA

AMEMBASSY VIENNA

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY ATHENS

AMEMBASSY REYKJAVIK

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY ANKARA

AMEMBASSY WELLINGTON

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EFIN, EAGR, OECD

SUBJECT: OECD NOV. 8-9 XCSS MEETING

REF: (A) STATE 212530; (B) STATE 208686; (C) STATE  
208338

1. SUMMARY: THE ECONOMIC/COMMERCIAL MINISTER DISCUSSED THE SUBJECTS OF INVESTMENT AND AGRICULTURE WITH ASSISTANT SECRETARY STEEG, THE FRG REPRESENTATIVE TO THE XCSS MEETING. ON THE ISSUE OF INVESTMENT, FRAU STEEG SAID THAT IN HER VIEW THE US PROPOSAL FOR ESTABLISHING COMPREHENSIVE GUIDELINES IS TOO AMBITIOUS AND IS LIKELY TO HAVE THE COUNTER-PRODUCTIVE EFFECT OF PREVENTING ANY AGREEMENT ON THIS ISSUE. ON THE QUESTION OF AGRICULTURE, SHE SAID THAT GIVEN THE CURRENT REVIEW OF THE CAP, IT WAS UNLIKELY THAT THE EC COULD SUPPORT THE US PROPOSAL AT THIS TIME. WE WILL FOLLOW UP WITH FURTHER DISCUSSIONS ON BOTH THESE SUBJECTS AND REPORT FURTHER. END SUMMARY.

INTERNATIONAL INVESTMENT AND MNC'S

2. THE ECONOMIC/COMMERCIAL MINISTER PRESENTED THE US POSITIONS AS OUTLINED IN REF (B) TO ASSISTANT SECRETARY STEEG OF THE ECONOMICS MINISTRY. FRAU STEEG WAS ACCOMPANIED BY VON DEWITZ, DIRECTOR OF THE OFFICE OF FOREIGN INVESTMENT. IN RESPONDING VON DEWITZ SAID THAT THERE APPEARED TO BE GENERAL AGREEMENT WITH REGARD TO THE PRINCIPLE OF NATIONAL TREATMENT. HE SAID THAT THERE WAS NO AGREEMENT AT ALL, HOWEVER, AMONG OECD MEMBERS ON THE ISSUE OF INTERNATIONAL DISTORTIONS RESULTING FROM INVESTMENT INCENTIVES.

3. VON DEWITZ THEN OUTLINED WHAT HE SAW AS THE THREE POSSIBLE APPROACHES TO THIS LATTER ISSUE. THE FIRST APPROACH PROPOSED BY THE SECRETARY GENERAL WAS A PRAGMATIC ONE WHEREBY THE ISSUE OF GUIDELINES WOULD BE SET ASIDE FOR THE TIME BEING AND THE QUESTION OF DISLIMITED OFFICIAL USE

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TORTIONS WOULD BE DEALT WITH BY MEANS OF CONSULTATIONS AMONG MEMBER COUNTRIES ON A CASE-BY-CASE BASIS. UNDER THIS APPROACH GUIDELINES MIGHT EVENTUALLY BE ESTABLISHED BASED ON THE EXPERIENCE OF A NUMBER OF SPECIFIC CASES. THE SECOND APPROACH WOULD BE TO ELABORATE GUIDELINES NOW, TO BE ACCOMPANIED BY CONSULTATION PROCEDURES BASED ON THESE GUIDELINES. THE THIRD APPROACH WOULD BE TO UNDERTAKE A RESEARCH PROGRAM TO CATALOG

VARIOUS INCENTIVES IN USE BY MEMBER COUNTRIES AND TO CALCULATE THEIR IMPACT ON TRADE, BALANCE OF PAYMENTS, ETC. VON DEWITZ SAID THAT IN THE FRG VIEW, THE FIRST APPROACH WAS THE ONLY ONE THAT OFFERED ANY POSSIBILITY FOR AGREEMENT AT THE FORTHCOMING XCSS MEETING. HE SAID THAT THERE WAS NO AGREEMENT ON EITHER OF THE OTHER TWO APPROACHES AND THAT A DISCUSSION OF GUIDELINES AT THIS POINT WOULD ONLY GENERATE A GREAT DEAL OF HEAT AND WOULD RESULT IN THERE BEING NO AGREEMENT AT ALL ON THIS ISSUE.

4. WE CONTENDED THAT THE GUIDELINES WE ARE SUGGESTING ARE GENERAL AND NONCONTROVERSIAL AND - PROVIDED SUFFICIENT FLEXIBILITY TO ENCOMPASS DIFFERENT VIEWS OF THE MEMBER COUNTRIES. WE STRESSED THE NEED TO FOCUS ON GENERAL OBJECTIVES AND ARGUED THAT GUIDELINES ARE AN ESSENTIAL ELEMENT IN THIS PROCESS. FRAU STEEG REPLIED THAT THERE IS NO CLEAR DIVIDING LINE WHICH SEPARATES THE QUESTION OF INVESTMENT INCENTIVES FROM THE QUESTION OF THE INTERNAL REGIONAL AND STRUCTURAL POLICY MEASURES. SHE ADMITTED THAT SOME

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OF THESE MEASURES, WHICH ARE DESIGNED WITH SPECIFIC INTERNAL OBJECTIVES IN MIND, FOR EXAMPLE EXPORT SUBSIDIES, OFTEN HAVE IMPLICATIONS IN OTHER AREAS, FOR EXAMPLE THE GATT. SHE SAID THAT IF WE ARE TO MAKE ANY PROGRESS ON DEALING WITH THESE POLICIES, WE MUST PROCEED SLOWLY AND EXAMINE THEM ON A CASE-BY-CASE BASIS AND THAT IF WE ARE TOO AMBITIOUS, WE WILL GET NOWHERE.

5. WE WILL DISCUSS THIS ISSUE IN MORE DETAIL WITH VON DEWITZ AND REPORT FURTHER.

AGRICULTURAL STUDY

6. ECONOMIC/COMMERCIAL MINISTER MADE FURTHER PRESENTATION TO FRAU STEEG ALONG THE LINES OF REF (C). WE EMPHASIZED THAT WE WERE NOT ATTEMPTING TO PREJUDGE THE OUTCOME OF NEGOTIATIONS, BUT WE THOUGHT THAT PROPOSED STUDY COULD MAKE AN IMPORTANT CONTRIBUTION TO OUR COMMON UNDERSTANDING OF PROBLEMS INVOLVED.

7. FRAU STEEG SAID THAT THE EC HAD NOT BEEN VERY RESPON-

SIVE TO THIS PROPOSAL WHEN IT HAD BEEN BROACHED IN  
EARLIER XCSS MEETINGS AND THAT, GIVEN THE CURRENT RE-  
VIEW OF THE CAP, SHE DOUBTED THAT THE EC WOULD BE IN A  
POSITION TO SUPPORT SUCH A STUDY AT THIS TIME. SHE SAID  
THAT AT AN EARLIER MEETING EC COMMISSIONER HIZJEN HAD  
ASKED "HOW CAN A GROUP OF PROFESSORS HELP US? WE HAVE  
ALL THE INFORMATION WE NEED AT OUR DISPOSAL."

8. FRAU STEEG SAID SHE WOULD DISCUSS THE ISSUE WITH HER  
AGRICULTURAL EXPERTS AND WOULD BE IN TOUCH WITH US  
SHORTLY WITH MORE DETAILED COMMENTS.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CABINET MEETINGS, AGRICULTURAL POLICIES, INVESTMENT CONTROLS, INVESTMENT OPPORTUNITIES, INVESTMENT PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 NOV 1973  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
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**Reference:** (A) STATE 212530; (B) STATE 208686; (C) STATE  
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**Review Comment:** n/a  
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**Review Exemptions:** n/a  
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30 JUN 2005

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**Subject:** OECD NOV. 8-9 XCSS MEETING  
**TAGS:** EFIN, EAGR, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005